State of California **Employment Training Panel**

M e m o r a n d u m

To: Panel Members

Date: June 26, 2003

Analyst: S. Joyce

From: Charles Lundberg, Manager
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **Canandaigua Wine Company, Inc. (HUA)**
(www.cbrands.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition
  Training in High Unemployment Areas of California
- Legislative Priorities: Moving to a High Performance Workplace, Promotion of California's Manufacturing Workforce, Developed Jointly by Management and Workers
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
  - Company Wide: 1,715
  - In California: 1,035
- Fringe Benefits: Yes
- Union Representation: Yes
- Name and Local Number of Union representing workers to be Trained: Allied Winery Workers, Local 45

CONTRACT:

- Program Costs: $52,416
- Substantial Contribution: $0
- Total ETP Funding: $52,416
- In-Kind Contribution: $87,360
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Madera
- Duration of Agreement: 24 months

SUBCONTRACTORS:

The Training Institute of the State Center Community College District, Fresno, California will provide training. The approximate cost will be $8,000.

PLC's Plus, located in Bakersfield, California, will provide the Programmable Logic Controller (PLC), Computer and Networking training. The approximate cost will be $6,000.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

Agreement No.	Location (City)	Term	Agreement Amount	Amount Earned	% Earned
ET00-0279-000	Madera	04/03/2000-04/02/2002	$136,164	$104,900	77%

NARRATIVE:

Canandaigua Wine Company, Inc. is eligible for standard retraining under the Out-of-State Competition Provisions outlined in Title 22, California Code of Regulations Section 4416(b) for industrially-classified manufacturers retraining current employees.

Canandaigua was established in 1945 in Canandaigua, New York, where the company headquarters are located. Canandaigua's parent company, Canandaigua Brands, Inc., is located in Fairport, New York. The company manufactures and distributes wine, beer, distilled spirits and cider for the retail consumer in the state of California, the United States and abroad. Juice concentrate is also produced for commercial customers in the United States and abroad. Canandaigua produces name brands such as Almaden, Arbor Mist, Cook's, Dunnewood, Paul Masson, Inglenook, Vendange, Heritage and Nathanson Creek.

The Contractor states that competition in the wine and juice industry continues to increase with foreign competition growing at a dramatic rate. The latest competitor to join the market is Australia. This competitive climate in the wine industry has forced many changes including increased technology throughout the Canandaigua, high-speed communication to facilitate efficiency in the bottling operation, and expansion of the "bag in the box" film technology. The film technology bought by Canandaigua is a five layered metallic film applied to plastic sacks holding the product. According to the Contractor, this metallic lining protects the wine from light, thus improving the quality.

Canandaigua used the initial ETP contract to bring all maintenance workers to a higher basic technical level by offering Continuous Improvement and new technology training. The past training enabled the Mission Bell site of Canandaigua to begin the transition to a High-Performance Workplace. This proposal will offer updated training to workers from other company sites as well as trainees from the original Agreement.

This proposal is structured to continue the ETP retraining program that began in 2000 by introducing trainees to new equipment and new manufacturing processes. It will also train employees employed at two facilities, the Mission Bell Winery, included in the first Agreement, and the Paul Masson Winery.

NARRATIVE: (continued)

Capital investment at Mission Bell and Paul Masson averages almost $9 million per year. Recent investments include "bag in the box" manufacturing equipment, bottle fillers, refrigeration equipment, palletizers and the infrastructure needed for the new equipment to work at peak efficiency.

Computer networks are being installed to maximize the effectiveness of the new equipment. The refrigeration equipment and bottling lines use the latest in Programmable Logic Controller (PLC) control to assist operators in maintaining the wine. The technology needed for manufacturing bags for bag in the box wine is entirely new for the company. This is all new technology for the winery and employee skills must be developed to insure it is always on line and operating.

To accomplish these goals Canandaigua has formulated the following training plan:

Computer Skills training is offered to journey level Maintenance Mechanics. The title Maintenance Mechanics in this agreement refers to electricians and regular mechanics. This will include Computer Networking, Ethernet, and PLC Analog controls. The goal is to increase troubleshooting skills, thereby reducing down time and optimizing the winery control system performance.

Continuous Improvement will be presented to all participants. This will include Interpersonal Communications and Customer Relations training.

Management Skills training will be offered to Foremen and Supervisors. This includes Planning, Project Management, Problem Resolution and Time and Meeting Management. The goal is to strengthen the leadership team to take full advantage of the entire training package.

Manufacturing Skills for Maintenance Mechanics:

Preventive Measures training will include Laser Alignment, Ultrasonic Diagnostics, Troubleshooting Skills, Mechanical Causes for Electrical Problems and Preventive Maintenance Techniques. The goal is to reduce manufacturing costs by eliminating unplanned downtime.

Packaging Machinery training will include advanced setup skills and troubleshooting on a variety of packaging machinery. The goal is to optimize line setup and performance.

Wine Transfers training will focus on the science and technology of moving wine without affecting the quality of the wine. The goal is to preserve the quality of the product during the production cycle.

Electrical Skills for Mechanics will include National Electric Code basics and PLC basics. The goal is to broaden their electrical skill base.

Calibration Techniques will include calibration training on temperature, pressure, flow and pH. The goal is to insure that information provided to the operating departments is always accurate.

Supplemental Nature of Training

Canandaigua provides some equipment training, new employee and diversity training, on-the-job training and extensive training for safety/emergency response. ETP funds will fund classroom training for new equipment, advance skills in networking, troubleshooting and film technology.

NARRATIVE: (continued)

Supplemental Nature of Training (continued)

Canandaigua management states that without ETP funding, the training would be done for only one or two individuals per training session. With the ETP funding, Canandaigua will be able to train a larger employee population in a shorter timeframe.

In-Kind Contribution

Canandaigua's in-kind contribution will total $87,360 of which $73,710 is trainee wages while they are in training. The remaining $13,650 is for contract development and training materials.

COMMENTS:

- Under this project 56 trainees are frontline workers as defined under Title 22, California Code of Regulations Section 4400(ee). These persons directly produce or deliver goods and services. The ten supervisors, who comprise 15 percent of this Agreement, do not perform frontline work per the collective bargaining Agreement.
- Although Canandaigua is located in Madera County, a high unemployment area (14.8 percent), the Contractor is not seeking a wage waiver for the Retrainees.
- Contractor agrees that during ETP funded training hours, trainees will not produce products or provide services that will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement, if funding is available and the project meets Panel priorities. This recommendation is based on the support of a manufacturing company located within a high unemployment area that is moving to a high performance workplace environment.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Jobs 1-3 Retrainees	Computer Skills Continuous Improvement Management Skills Manufacturing Skills	66	56	0	0	$794	$17.75-$25.00

	Range of Hourly Wages $17.75-$25.00
	Prevalent Hourly Wage $18.50
	Average Cost per Trainee $794

Health Benefit used to meet ETP minimum wage:	**Turnover Rate**	**% of Mgrs & Supervisors to be trained:**
Although the company pays health benefits for its employees, the hourly contribution is not being used to meet ETP minimum wage requirements.	14%	15%

Canandaigua Wine Company, Inc
Menu Curriculum

Class/Lab Hours
56 Hours

Trainees will be receiving training in any of the following topics:

Computer Skills

- Computer Networking
- Ethernet Communications
- Programmable Logic Controller (PLC) Analog Controls

Continuous Improvement

- Interpersonal Communications
- Customer Relations

Management Skills (Jobs 1 and 3 only)

- Project Management
- Problem Resolution
- Time and Meeting Management
- Planning

Manufacturing Skills

Preventive Measures

- Laser Alignment
- Ultrasonic Diagnostics
- Troubleshooting Skills
- Mechanical Causes for Electrical Problems
- Preventive Maintenance Techniques

Electrical Skills for Mechanics

- National Electric Code Basics
- PLC Basics
- Power Distribution Management

Calibration Techniques

- Calibration Training on Temperature
- Calibration Training on Pressure
- Calibration Training on Flow
- Calibration Training on pH

Canandaigua Wine Company, Inc
Menu Curriculum (continued)

Packaging Machinery

Advanced Setup Skills
Troubleshooting on Packaging Machinery

Wine Transfers

Controlling Dissolved Oxygen
Pumping
Control Valves